

The Road Less Traveled?

By Scott Gerson

As financial markets become increasingly globalized, Wall Street's position as the trading capital of the world may soon be usurped. The jury is still out, but global economic trends indicate that we are being forced to share the limelight with the rapidly growing markets in Europe and Asia. To maintain their competitive edge, foreign firms are aggressively recruiting more and more of our best traders, quants and technologists. These highly skilled professionals are readily abandoning Wall Street in search of adventure and guaranteed financial independence abroad.

Twenty years ago baby boomers went to Europe and Asia to "find themselves." and now many of them are setting off again--this time to occupy challenging high-level positions at some of the world's leading financial institutions. Capital market managers, technology heads, trading managers and employment executives from Europe and Asia are constantly approaching me to recruit technology and quantitative analysts from New York. In the last two years, our overseas placements have jettisoned from comprising less than 5 percent of our overall business to almost 20 percent. It's likely that in the near future, one quarter of all my successful candidates will be placed in Europe or Asia.

With the burgeoning of foreign derivatives markets, continued growth requires an understanding and integration of the most advanced trading software and models available. Most of the world's best developers of sophisticated trading software began their careers on Wall Street, and many of them are still here. European and Asian firms have a tremendous need for top-level quantitative software strategists with stable job histories to help build and implement hands-on trading technologies. These companies are willing to pay hefty premiums to attract American quantitative talent because in most cases, it simply doesn't exist yet overseas. In addition to seeking quants with a broad-based knowledge of the derivatives market, foreign companies offer people substantial expatriate packages, which include generous expatriate living expenses, luxury accommodations and tax-equalization programs.

The extreme marketability of American talent is further evidenced by the extent to which Wall Street quants are offered jobs by rival foreign companies. They're often lured away by competing firms offering exorbitant salaries. I can cite many examples in the Asian markets, particularly Hong Kong, where millions of dollars a year are promised to quants, traders and people with sophisticated market expertise. A growing number of American technologists switch to firms abroad instead of returning to the U.S. once their two-year terms expire.

While analyzing recent migration trends abroad, I spoke with Hadar Pedhazur, managing director of Union Bank of Switzerland Securities, in charge of computing for equity derivative trading. According to Pedhazur, with the advent of increased globalization, "(American quants and technologists) feel they can have a better long-term career in a global group, be it ours or another group down the road." Because of their determination to break into the industry, many junior-level technologists willingly accept small premiums that, including housing allowances and others, translate into more money but not necessarily more income. Both high-level and junior people significantly improve their marketability in New York when they return.

"They gain a competitive edge by bringing a perspective that a lot of Americans don't have." says Pedhazur. "A lot of Americans have a very myopic view of the world. Having worked somewhere else can be extremely advantageous in the New York marketplace."

Wall Street may no longer be the proud Mecca of world trading activity. Globalization will likely force us to become more of a team player as the world's financial trade centers become significantly less stratified. If the unbridled growth of foreign markets continues, more and more of our most talented traders, quants and technologies will choose to abandon Wall Street in favor of more lucrative and exotic avenues abroad. In the economic global village of the future Wall Street may soon become "the road less traveled."